AGREEMENT AND PLAN OF REORGANIZATION, dated as of June 14, 1997 (this "Merger Agreement"), among McLeodUSA Incorporated, a Delaware corporation ("Acquiror"), Eastside Acquisition Co., a Delaware corporation ("Acquiror Sub") and a wholly owned subsidiary of Acquiror, and Consolidated Communications Inc., an Illinois corporation (the "Company").

WHEREAS, the Company, upon the terms and subject to the conditions of this Merger Agreement and in accordance with the Business Corporation Act of 1983 of the State of Illinois ("Illinois Law") and the General Corporation Law of the State of Delaware ("Delaware Law"), will merge with and into Acquiror Sub (the "Merger");

WHEREAS, the Board of Directors of the Company has approved and adopted this Merger Agreement and the transactions contemplated hereby and recommended approval and adoption of this Merger Agreement by the shareholders of the Company;

WHEREAS, the Board of Directors of Acquiror has determined that the Merger is in the best interests of Acquiror and its stockholders and the Boards of Directors of Acquiror and Acquiror Sub have approved and adopted this Merger Agreement and the transactions contemplated hereby; and

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify as a tax-free reorganization under the provisions of Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the "Code");

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Merger Agreement, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01. The Merger.

Upon the terms and subject to the conditions set forth in this Merger Agreement, and in accordance with Illinois Law and Delaware Law, at the Effective Time (as defined in Section 1.02) the Company shall be merged with and into Acquiror Sub. As a result of the Merger, the separate corporate existence of the Company shall cease and Acquiror Sub shall continue as the surviving corporation of the Merger (the "Surviving Corporation").

SECTION 1.02. Effective Time.

Subject to the provisions of Section 2.05, as promptly as practicable after the satisfaction or, if permissible, waiver of the conditions set forth in Article VII, the parties hereto shall cause the Merger to be consummated by filing this Merger Agreement, articles of merger or other appropriate Documents (as defined in Article X) (in any such case, the "Articles of Merger") with the Secretary of State of the State of Illinois and the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with the relevant provisions of, Illinois Law and Delaware Law (the date and time of such filing being the "Effective Time").

SECTION 1.03. Effect of the Merger.

At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of Illinois Law and Delaware Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Acquiror Sub and the Company shall vest in the Surviving Corporation, and all debts, liabilities and duties of Acquiror Sub and the Company shall become the debts, liabilities and duties of the Surviving Corporation.

SECTION 1.04. Certificate of Incorporation; Bylaws.

(a) Unless otherwise determined by Acquiror prior to the Effective Time, at the Effective Time the certificate of incorporation of Acquiror Sub, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation, until thereafter amended as provided by Law (as defined in Article X) and such certificate of incorporation; provided, however, that at the Effective Time, Article 1 of the certificate of incorporation of the Surviving Corporation shall be amended to read as follows: "The name of the corporation is Consolidated Communications Inc."

(b) Unless otherwise determined by Acquiror prior to the Effective Time, at the Effective Time the bylaws of Acquiror Sub, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Corporation until thereafter amended as provided by Law, the certificate of incorporation of the Surviving Corporation and such bylaws.

SECTION 1.05. Directors and Officers.

The directors of Acquiror Sub immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation, and the officers of the Company immediately prior to the Effective

Time shall be the initial officers of the Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified.

ARTICLE II

CONVERSION OF SECURITIES; EXCHANGE OF CERTIFICATES

SECTION 2.01. Conversion of Securities.

The total aggregate consideration to be paid by Acquiror in the Merger shall be 8,488,613 shares of Class A common stock, par value $.01 per share, of Acquiror ("Acquiror Common Stock") and $155 million in cash, subject to Section 2.02(e). At the Effective Time, by virtue of the Merger and without any action on the part of Acquiror Sub, the Company or holders of any of the following securities:

(a) Company Common Shares. Subject to the other provisions of this Section 2.01(a), each share of common shares, par value $5.00 per share, of the Company ("Company Common Shares") issued and outstanding immediately prior to the Effective Time (other than any shares of Company Common Shares to be canceled pursuant to Section 2.01(e) or any shares of Company Capital Stock (as defined in Section 3.04) ("Dissenting Shares") held by any shareholder of the Company who elects to exercise appraisal rights under Illinois Law) shall be converted, subject to Section 2.02(e), into (i) the right to receive an amount in cash, without interest (the "Per Share Common Share Cash Amount"), determined by dividing (A) the sum (the "Pre-Election Aggregate Value") of $155 million and the product of (1) 7,597,566 and (2) the closing price (the "Pre-Election Acquiror Common Stock Price") of a share of Acquiror Common Stock on The Nasdaq Stock Market's National Market ("Nasdaq") on the last trading day immediately prior to the Election Deadline (as defined in Section 2.01(a)(vii)), by (B) the number of outstanding Company Common Shares, (ii) the right to receive a number of shares of Acquiror Common Stock (the "Common Share Exchange Ratio") determined by dividing the Per Share Common Share Cash Amount by the Pre-Election Acquiror Common Stock Price, or (iii) the right to receive a combination of shares of Acquiror Common Stock and cash determined in accordance with Section 2.01(a)(iii), Section 2.01(a)(iv) or Section 2.01(a)(v); provided, however, that, in any event, if between the date of this Merger Agreement and the Effective Time the outstanding shares of Acquiror Common Stock or Company Common Shares shall have been changed into a different number of shares or a different class by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, or Acquiror shall have declared, paid or set aside a cash dividend or other distribution on the Acquiror Common Stock, the Common Share Exchange Ratio and the Per Share Common Share Cash Amount shall

be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares, cash dividend or other distribution. Subject to the foregoing proviso and to Section 2.02(e), the total outstanding Company Common Shares shall be converted into an aggregate of 7,597,566 shares of Acquiror Common Stock and $155 million.

(i) The aggregate number of shares of Company Common Shares to be converted into the right to receive cash in the Merger (the "Cash Election Number") shall be equal to the product of (A) the total outstanding Company Common Shares and (B) a fraction (the "Cash Election Fraction") the numerator of which is $155 million and the denominator of which is the Pre-Election Aggregate Value, and the aggregate number of shares of Company Common Shares to be converted into the right to receive Acquiror Common Stock in the Merger (the "Stock Election Number") shall be equal to a number determined by multiplying the total outstanding Company Common Shares by a fraction equal to one minus the Cash Election Fraction; provided, however, that, in any event, if between the date of this Merger Agreement and the Effective Time the outstanding shares of Company Common Shares shall have been changed into a different number of shares or a different class by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, or Acquiror shall have declared, paid or set aside a cash dividend or other distribution, the Cash Election Number and the Stock Election Number shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, cash dividend or other distribution.

(ii) Within the limits of Section 2.01(a)(i) and subject to the other provisions of this Section 2.01(a), each record holder of shares of Company Common Shares immediately prior to the Effective Time will be entitled (A) to elect to receive all cash for such shares (a "Cash Election"), (B) to elect to receive all Acquiror Common Stock for such shares (a "Stock Election"), (C) to elect to receive a specific combination of cash and Acquiror Common Stock for such shares (a "Mixed Election"), or (D) to indicate that such record holder has no preference as to the receipt of cash or Acquiror Common Stock for such shares (a "Non-Election"). All such elections shall be made on a form designed for that purpose by Acquiror (a "Form of Election"). Holders of record of shares of Company Common Shares who hold such shares as nominees, trustees or in other representative capacities (a "Representative") may submit multiple Forms of Election, provided that such Representative certifies that each such Form of Election

covers all the shares of Company Common Shares held by each Representative for a particular beneficial owner.

(iii) If the aggregate number of shares of Company Common Shares covered by Cash Elections and by the cash portion of Mixed Elections (the "Cash Election Shares") exceeds the Cash Election Number, each share of Company Common Shares covered by Stock Elections and by the stock portion of Mixed Elections (the "Stock Election Shares") and each share of Company Common Shares covered by Non-Elections (the "Non-Election Shares") shall be converted into the right to receive Acquiror Common Stock at the Common Share Exchange Ratio pursuant to Section 2.01(a), and each Cash Election Share shall be converted into the right to receive Acquiror Common Stock and cash in the following manner: each Cash Election Share shall be converted into the right to receive (A) an amount in cash, without interest, equal to the product of (1) the Per Share Common Share Cash Amount and (2) a fraction (the "Cash Overelection Fraction"), the numerator of which shall be the Cash Election Number and the denominator of which shall be the total number of Cash Election Shares, and (B) a number of shares of Acquiror Common Stock, subject to Section 2.02(e), equal to the product of (1) the Common Share Exchange Ratio and (2) a fraction equal to one minus the Cash Overelection Fraction.

(iv) If the aggregate number of Stock Election Shares exceeds the Stock Election Number, each Cash Election Share and each Non-Election Share shall be converted into the right to receive the Per Share Common Share Cash Amount pursuant to Section 2.01(a), and:

(A) if the aggregate number of Stock Election Shares identified on the Form of Election as being held by a Charitable Trust or Charitable Remainder Trust exempt from federal income tax under Section 501 or Section 604 of the Code ("Charitable Trust Stock Election Shares") is less than the Stock Election Number, then each Charitable Trust Stock Election Share shall be converted into the right to receive Acquiror Common Stock at the Common Share Exchange Ratio pursuant to Section 2.01(a), and each Stock Election Share other than a Charitable Trust Stock Election Share shall be converted into the right to receive Acquiror Common Stock and cash in the following manner: each Stock Election Share other than a Charitable Trust Stock Election Share shall be converted into the right to receive (1) a number of shares of Acquiror Common Stock, subject to Section 2.02(e), equal to the product of (x) the Common Share Exchange Ratio and (y) a fraction (the "Stock

Overelection Fraction"), the numerator of which shall be the excess of the Stock Election Number over the number of Charitable Trust Stock Election Shares and the denominator of which shall be the total number of Stock Election Shares other than Charitable Trust Stock Election Shares, and (2) an amount in cash, without interest, equal to the product of (x) the Per Share Common Share Cash Amount and (y) a fraction equal to one minus the Stock Overelection Fraction; or

(B) if the aggregate number of Charitable Trust Stock Election Shares is greater than the Stock Election Number, then each Stock Election Share other than a Charitable Trust Stock Election Share shall be converted into the right to receive the Per Share Common Share Cash Amount pursuant to Section 2.01(a), and each Charitable Trust Stock Election Share shall be converted into the right to receive Acquiror Common Stock and cash in the following manner: each Charitable Trust Stock Election Share shall be converted into the right to receive (1) a number of shares of Acquiror Common Stock, subject to Section 2.02(e), equal to the product of (x) the Common Share Exchange Ratio and (y) a fraction (the "Charitable Trust Stock Overelection Fraction"), the numerator of which shall be the Stock Election Number and the denominator of which shall be the total number of Charitable Trust Stock Election Shares, and (2) an amount in cash, without interest, equal to the product of (x) the Per Share Common Share Cash Amount and (y) a fraction equal to one minus the Charitable Trust Stock Overelection Fraction.

(v) In the event that neither Section 2.01(a)(iii) nor Section 2.01(a)(iv) above is applicable, each Cash Election Share shall be converted into the right to receive the Per Share Common Share Cash Amount and each Stock Election Share shall be converted into the right to receive Acquiror Common Stock at the Common Share Exchange Ratio pursuant to Section 2.01(a), and each Non-Election Share, if any, shall be converted into the right to receive Acquiror Common Stock and cash in the following manner: each Non-Election Share shall be converted into the right to receive (A) an amount in cash, without interest, equal to the product of (1) the Per Share Common Share Cash Amount and (2) a fraction (the "Non-Election Fraction"), the numerator of which shall be the excess, if any, of the Cash Election Number over the total number of Cash Election Shares and the denominator of which shall be the excess of (x) the number of shares of Company Common Shares outstanding immediately prior to the Effective Time over (y) the sum of the total number of Cash

Election Shares and the total number of Stock Election Shares and (B) a number of shares of Acquiror Common Stock equal to the product of (1) the Common Share Exchange Ratio and (2) a fraction equal to one minus the Non-Election Fraction.

(vi) Elections shall be made by holders of Company Common Shares by mailing to the Exchange Agent (as defined in Section 2.02(a)) a Form of Election. To be effective, a Form of Election must be properly completed, signed and submitted to the Exchange Agent prior to the Election Deadline and accompanied by the certificates representing the shares of Company Common Shares as to which such Form of Election relates, duly endorsed in blank or otherwise in a form acceptable for transfer on the books of the Company (or by an appropriate guarantee of delivery of such certificates as set forth in such Form of Election from a commercial bank or trust company in the United States or a member of a registered national securities exchange or the NASD (as defined in Article X)).

(vii) Acquiror and the Company shall each use its best efforts to mail the Form of Election to all holders of record of Company Common Shares on the record date of the Company Shareholders' Meeting (as defined in Section 6.01). A Form of Election must be received by the Exchange Agent by the close of business on the date three (3) business days prior to the Effective Time (the "Election Deadline") in order to be effective. All elections may be revoked only by written notice received by the Exchange Agent prior to the Election Deadline.

(viii) For the purposes hereof, a holder of Company Common Shares who does not submit a Form of Election which is received by the Exchange Agent prior to the Election Deadline shall be deemed to have made a Non-Election. If Acquiror or the Exchange Agent shall determine that any purported Cash Election, Mixed Election or Stock Election was not properly made, such purported Cash Election, Mixed Election or Stock Election shall be deemed to be of no force and effect and the shareholder making such purported Cash Election, Mixed Election or Stock Election shall, for purposes hereof, be deemed to have made a Non-Election.

(ix) Acquiror will have the sole discretion, which it may delegate in whole or in part to the Exchange Agent, to determine whether Forms of Election have been properly completed, signed and submitted or revoked and to disregard immaterial defects in Forms of Election. The decision of Acquiror (or the Exchange Agent) in such matters shall be conclusive and binding. Neither Acquiror nor the

Exchange Agent will be under any obligation to notify any Person (as defined in Article X) of any defect in a Form of Election submitted to the Exchange Agent. The Exchange Agent shall also make all computations contemplated by this Section 2.01(a) and all such computations shall be conclusive and binding on the holders of Company Common Shares absent manifest error. Acquiror may make such rules for the implementation of the elections provided for herein as are consistent with this Section 2.01(a) and necessary or desirable fully to effect such elections.

(b) Company Series A Cumulative Preferred Shares. Each share of Series A cumulative preferred shares, par value $100 per share, of the Company ("Company Series A Preferred Shares") issued and outstanding immediately prior to the Effective Time (other than any shares of Company Series A Preferred Shares to be canceled pursuant to Section 2.01(e) or any Dissenting Shares), plus all accrued and unpaid dividends thereon, shall be converted, subject to Section 2.02(e), into the right to receive 4.2709 shares of Acquiror Common Stock (the "Series A Exchange Ratio"); provided, however, that, in any event, if between the date of this Merger Agreement and the Effective Time the outstanding shares of Acquiror Common Stock or Company Series A Preferred Shares shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, or Acquiror shall have made a cash dividend or other distribution on the Acquiror Common Stock, the Series A Exchange Ratio shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares, cash dividend or other distribution.

(c) Company Series B Cumulative Preferred Shares. Each share of Series B cumulative preferred shares, par value $100 per share, of the Company ("Company Series B Preferred Shares") issued and outstanding immediately prior to the Effective Time (other than any shares of Company Series B Preferred Shares to be canceled pursuant to Section 2.01(e) or any Dissenting Shares), plus all accrued and unpaid dividends thereon, shall be converted, subject to Section 2.02(e), into the right to receive 4.4271 shares of Acquiror Common Stock (the "Series B Exchange Ratio"); provided, however, that, in any event, if between the date of this Merger Agreement and the Effective Time the outstanding shares of Acquiror Common Stock or Company Series B Preferred Shares shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, or Acquiror shall have made a cash dividend or other distribution on the Acquiror Common Stock, the Series B Exchange Ratio shall be correspondingly adjusted to reflect such stock dividend, subdivision,

reclassification, recapitalization, split, combination, exchange of shares, cash dividend or other distribution.

(d) Cancellation and Retirement of Company Capital Stock. All such shares of Company Capital Stock referred to in Sections 2.01(a), 2.01(b) and 2.01(c) (other than any shares of Company Capital Stock to be canceled pursuant to Section 2.01(e) or any Dissenting Shares) shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate previously representing any such shares shall thereafter represent the right to receive the shares of Acquiror Common Stock and/or the amount of cash into which such Company Capital Stock was converted in the Merger. The holders of certificates previously representing such shares of Company Capital Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Company Capital Stock except as otherwise provided herein or by Law. Certificates previously representing such shares of Company Capital Stock shall be exchanged for the whole shares of Acquiror Common Stock to be issued and/or the amount of cash to be paid in consideration therefor upon the surrender of such certificates in accordance with the provisions of Section 2.01(a) or Section 2.02, without interest. No fractional share of Acquiror Common Stock shall be issued, and, in lieu thereof, a cash payment shall be made pursuant to Section 2.02(e) hereof.

(e) Cancellation of Treasury Shares. Any shares of Company Capital Stock held in the treasury of the Company and any shares of Company Capital Stock owned by Acquiror or any direct or indirect wholly owned subsidiary of Acquiror or of the Company immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

SECTION 2.02. Exchange of Certificates.

(a) Exchange Agent. As of the Effective Time, Acquiror shall deposit, or shall cause to be deposited, with a bank or trust company designated by Acquiror (the "Exchange Agent"), for the benefit of the holders of Company Capital Stock, for exchange through the Exchange Agent in accordance with this Article II, (i) certificates representing the whole shares of Acquiror Common Stock issuable pursuant to Section 2.01 in exchange for outstanding shares of Company Capital Stock, (ii) cash in an amount sufficient to permit payment of the cash payable pursuant to Section 2.01 in exchange for outstanding shares of Company Capital Stock and (iii) cash in an amount sufficient to permit payment of the cash payable in lieu of fractional shares pursuant to Section 2.02(e) (such certificates for shares of Acquiror Common Stock, together with any dividends or distributions with respect thereto, and such amounts of cash, being hereafter referred to as the "Exchange Fund"). The Exchange Agent shall, pursuant to irrevocable instructions,

deliver the shares of Acquiror Common Stock to be issued and the amount of cash to be paid pursuant to Section 2.01 out of the Exchange Fund.

(b) Exchange Procedures. Acquiror shall, at the time specified in Section 2.01(a)(vii), mail to each holder of record of a certificate or certificates which immediately prior to the date of such mailing represented outstanding shares of Company Capital Stock (the "Certificates") (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent and shall be in customary form), (ii) instructions for use in effecting the surrender of the Certificates in exchange for shares of Acquiror Common Stock and cash, and (iii) in the case of holders of Company Common Shares, a Form of Election. Upon surrender of Certificates therefor for cancellation to the Exchange Agent together with such letter of transmittal, duly executed, and such other Documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor, as soon as practicable after the Effective Time (i) a certificate representing that number of whole shares of Acquiror Common Stock which such holder has the right to receive in respect of the shares of Company Capital Stock formerly represented by such Certificate (after taking into account all shares of Company Capital Stock then held by such holder under all such Certificates so surrendered), (ii) the amount of cash which such holder has the right to receive in respect of the shares of Company Capital Stock formerly represented by such Certificate (after taking into account all shares of Company Capital Stock then held by such holder under all such Certificates so surrendered), (iii) any dividends or other distributions to which such holder is entitled pursuant to Section 2.02(c) and (iv) the amount of cash in lieu of fractional shares of Acquiror Common Stock to which such holder is entitled pursuant to Section 2.02(e). The Certificates so surrendered shall be canceled forthwith following the Effective Time. In the event of a transfer of ownership of shares of Company Capital Stock which is not registered in the transfer records of the Company, the proper number of shares of Acquiror Common Stock may be issued and the proper amount of cash may be paid to a transferee if the Certificates representing such shares of Company Capital Stock, properly endorsed or otherwise in proper form for transfer, are presented to the Exchange Agent, accompanied by all Documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by Section 2.01(a) or this Section 2.02, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the shares of Acquiror Common Stock issuable and the amount of cash payable pursuant to Section 2.01 in exchange therefor, together with any dividends or other distributions to which such holder is entitled pursuant to Section 2.02(c) and cash in lieu of any fractional shares of Acquiror Capital Stock to which such holder is entitled pursuant to Section 2.02(e). No interest will be paid or will accrue on any cash payable pursuant to Sections 2.02(c) or 2.02(e).

(c) Distributions with Respect to Unexchanged Shares of Acquiror Common Stock. No dividends or other distributions declared or made after the Effective Time with respect to Acquiror Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the whole shares of Acquiror Common Stock represented thereby until the holder of such Certificate shall surrender such Certificate. Subject to the effect of escheat, tax or other applicable Laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of Acquiror Common Stock issued in exchange therefor, without interest, (i) promptly, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Acquiror Common Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions, with a record date after the Effective Time but prior to surrender and a payment date occurring after surrender, payable with respect to such whole shares of Acquiror Common Stock.

(d) No Further Rights in Company Capital Stock. All shares of Acquiror Common Stock issued and all cash paid upon conversion of the shares of Company Capital Stock in accordance with the terms hereof (including any cash paid pursuant to Sections 2.02(c) or (e)) shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to such shares of Company Capital Stock.

(e) No Fractional Shares. No fractional shares of Acquiror Common Stock shall be issued upon surrender for exchange of the Certificates, and any such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of Acquiror. Notwithstanding any other provision of this Merger Agreement, each holder of shares of Company Capital Stock who would otherwise be entitled to receive a fraction of a share of Acquiror Common Stock, after aggregating all Certificates delivered by such holder, and rounding down to the nearest whole share, shall receive, in lieu thereof, an amount in cash equal to $24.00, multiplied by the fraction of a share of Acquiror Common Stock to which such holder would otherwise be entitled. Such payment in lieu of fractional shares shall be administered by the Exchange Agent pursuant to the procedures set forth in Section 2.02(b).

(f) Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed to the holders of Company Capital Stock for one (1) year after the Effective Time shall be delivered to Acquiror, upon demand, and any holders of Company Capital Stock who have not theretofore complied with this Article II shall thereafter look only to Acquiror for the shares of Acquiror Common Stock and cash to which they are entitled pursuant to Section 2.01, any dividends or other distributions with respect to Acquiror Common Stock to which they are entitled pursuant to Section 2.02(c) and any cash in lieu of fractional shares of Acquiror Common Stock to which they are entitled pursuant to Section 2.02(e).

(g) No Liability. None of Acquiror, Acquiror Sub, the Company or the Exchange Agent shall be liable to any Person for any shares of Acquiror Common Stock (or dividends or distributions with respect thereto) or cash delivered to a public official pursuant to any abandoned property, escheat or similar Law.

(h) Lost, Stolen or Destroyed Certificates. In the event any certificate evidencing shares of Company Capital Stock shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed certificate, upon the making of an affidavit of that fact by the holder thereof, such shares of Acquiror Common Stock and cash, including cash for fractional shares, if any, as may be required pursuant to this Article II; provided, however, that Acquiror may, in its reasonable discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Acquiror, the Surviving Corporation, or the Exchange Agent with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 2.03. Share Transfer Books.

At the Effective Time, the share transfer books of the Company shall be closed and there shall be no further registration of transfers of shares of Company Capital Stock thereafter on the records of the Company. From and after the Effective Time, the holders of certificates representing shares of Company Capital Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Company Capital Stock except as otherwise provided herein or by Law. On or after the Effective Time, any Certificates presented to the Exchange Agent or Acquiror for any reason shall be converted into shares of Acquiror Common Stock and/or cash, including any dividends or other distributions to which the holders thereof are entitled pursuant to Section 2.02(c) and any cash in lieu of fractional shares of Acquiror Common Stock to which the holders thereof are entitled pursuant to Section 2.02(e).

SECTION 2.04. Dissenting Shareholders.

Subject to the terms and conditions hereof, at and after the Effective Time, any holder of shares of Company Capital Stock who complies with Section 11.70 of Illinois Law (a "Dissenting Shareholder") shall be entitled to obtain payment from the Surviving Corporation of the fair value of such Dissenting Shareholder's shares of Company Capital Stock as determined pursuant to Section 11.70 of Illinois Law; provided, however, that no such payment shall be made unless and until such Dissenting Shareholder has surrendered to the Exchange Agent the Certificate representing the shares of Company Capital Stock for which payment is being made. The Company shall give Acquiror prompt notice of any demands for appraisal or withdrawals of demands for appraisal received by the Company and

any other Documents obtained by the Company pursuant to the provisions of Section 11.70 of Illinois Law, and, except with the prior written consent of Acquiror, which shall not be unreasonably withheld, shall not settle or offer to settle any such demands.

SECTION 2.05. Closing.

Subject to the terms and conditions of this Merger Agreement, the closing of the Merger (the "Closing") will take place on the second business day immediately following the date on which the last of the conditions set forth in Article VII hereof is satisfied or, if permissible, waived (the "Closing Date"), at the offices of Hogan & Hartson L.L.P., Columbia Square, 555 13th Street, N.W., Washington, D.C. 20004, unless another date or place is agreed to in writing by the parties hereto; provided, however, that the Closing may be delayed not more than ten (10) business days by the Company or by Acquiror by written notice to the other party.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as specifically set forth in the Disclosure Schedule delivered by the Company to Acquiror prior to (except as otherwise permitted in this Article III) the execution and delivery of this Merger Agreement (the "Company Disclosure Schedule") (with a disclosure with respect to a Section of this Merger Agreement to require a specific reference in the Company Disclosure Schedule to the Section of this Merger Agreement to which each such disclosure applies, and no disclosure to be deemed to apply with respect to any Section to which it does not expressly refer), the Company hereby represents and warrants (which representation and warranty shall be deemed to include the disclosure with respect thereto so specified in the Company Disclosure Schedule) to, and covenants and agrees with, Acquiror and Acquiror Sub as follows, in each case as of the date of this Merger Agreement, unless otherwise specifically set forth herein or in the Company Disclosure Schedule:

SECTION 3.01. Organization and Standing.

The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Illinois, and has the full and unrestricted corporate power and authority to own, operate and lease its Assets (as defined in Article X), to carry on its business as currently conducted, to execute and deliver this Merger Agreement and to carry out the transactions contemplated hereby. The Company is duly qualified to conduct business as a foreign corporation and is in good standing in the states, countries and territories listed in Section 3.01 of the Company Disclosure Schedule. The Company is not qualified to conduct business

in any other jurisdiction, and neither the nature of the business conducted by the Company nor the character of the Assets owned, leased or otherwise held by it makes any such qualification necessary, except where the absence of such qualification as a foreign corporation would not have a Company Material Adverse Effect (as defined in Article X).

SECTION 3.02. Subsidiaries.

The Company has no Subsidiaries (as defined in Article X) and no equity investment or other interest in, or advances or loans to, any corporation, association, partnership, joint venture or other entity, except as set forth in Section 3.02 of the Company Disclosure Schedule. The Company Disclosure Schedule sets forth (a) the authorized capital stock or other equity interests of each direct and indirect Subsidiary of the Company and the percentage of the outstanding capital stock or other equity interests of each Subsidiary directly or indirectly owned by the Company, and (b) the nature and amount as of a recent date of any such equity investment, other interest or advance. All of such shares of capital stock or other equity interests of Subsidiaries directly or indirectly held by the Company have been duly authorized and validly issued and are outstanding, fully paid and nonassessable. The Company directly, or indirectly through wholly owned Subsidiaries, owns all such shares of capital stock or other equity interests of the direct or indirect Subsidiaries free and clear of all Encumbrances (as defined in Article X). Each Subsidiary is a corporation duly organized, validly existing and in good standing under the Laws of its state or jurisdiction of incorporation (as listed in Section 3.02 of the Company Disclosure Schedule), and has the full and unrestricted corporate power and authority to own, operate and lease its Assets and to carry on its business as currently conducted. Each Subsidiary is qualified to conduct business and is in good standing in the states, countries and territories listed in Section 3.02 of the Company Disclosure Schedule. The Subsidiaries are not qualified to conduct business in any other jurisdictions, and neither the nature of their businesses nor the character of the Assets owned, leased or otherwise held by them makes any such qualification necessary, except where the absence of licensing or qualification as a foreign corporation would not have a Company Material Adverse Effect.

SECTION 3.03. Articles of Incorporation and Bylaws.

The Company has furnished to Acquiror a true and complete copy of the certificate or articles of incorporation of the Company and of each Subsidiary, as currently in effect, certified as of a recent date by the Secretary of State (or comparable Governmental Entity (as defined in Article X)) of the respective jurisdictions of incorporation, and a true and complete copy of the bylaws of the Company and of each Subsidiary, as currently in effect, certified by their respective

corporate secretaries. Such certified copies are attached as exhibits to, and constitutes an integral part of, the Company Disclosure Schedule.

SECTION 3.04. Capitalization.

The authorized capital stock of the Company consists of (a) 5,000,000 Company Common Shares, of which: (i) 1,559,149 shares are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable; and (ii) no shares are held in the treasury of the Company; (b) 40,000 Company Series A Preferred Shares, of which: (i) 11,880 shares are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable; and (ii) no shares are held in the treasury of the Company; and (c) 189,811 Company Series B Preferred Shares, of which: (i) 189,811 shares are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable; and (ii) no shares are held in the treasury of the Company. The Company Common Shares, Company Series A Preferred Shares and Company Series B Preferred Shares are referred to collectively in this Merger Agreement as the "Company Capital Stock." No shares of Company Capital Stock have been reserved for any purpose. There are no outstanding securities convertible into or exchangeable for Company Capital Stock, any other securities of the Company, or any capital stock or other securities of any of the Subsidiaries and no outstanding options, rights (preemptive or otherwise), or warrants to purchase or to subscribe for any shares of such capital stock or other securities of the Company or, except as set forth in Section 3.04 of the Company Disclosure Schedule, any of the Subsidiaries. Except as set forth in Section 3.04 of the Company Disclosure Schedule, there are no outstanding Agreements (as defined in Article X) affecting or relating to the voting, issuance, purchase, redemption, registration, repurchase or transfer of Company Capital Stock, any other securities of the Company, or any capital stock or other securities of any Subsidiary, except as contemplated hereunder. Since December 31, 1996, no shares of Company Capital Stock have been issued by the Company. Each of the outstanding shares of Company Capital Stock and of capital stock of, or other equity interests in, the Subsidiaries was issued in compliance with all applicable federal and state Laws concerning the issuance of securities, and such shares or other equity interests owned by the Company or any Subsidiary are owned free and clear of all Encumbrances. The names and addresses of, and number of shares or other securities held by, all holders of Company Capital Stock (the "Company Shareholders") and all holders of capital stock or other securities of the Subsidiaries are set forth in Section 3.04 of the Company Disclosure Schedule. All of the outstanding shares of Company Capital Stock are owned by the Company Shareholders, free and clear, to the knowledge of the Company and the Subsidiaries, of all Encumbrances. Except as set forth in Section 3.04 of the Company Disclosure Schedule, there are no obligations, contingent or otherwise, of the Company or any Subsidiary to provide funds to, make any investment (in the form of a loan, capital contribution or

otherwise) in, or provide any guarantee with respect to, any Subsidiary or any other Person. Except as set forth in Section 3.04 of the Company Disclosure Schedule, there are no Agreements pursuant to which any Person is or may be entitled to receive any of the revenues or earnings, or any payment based thereon or calculated in accordance therewith, of the Company or any Subsidiary.

SECTION 3.05. Authority; Binding Obligation.

The execution and delivery by the Company of this Merger Agreement, the execution and delivery by the Company and the Subsidiaries of all other Documents contemplated hereby, and the consummation by the Company and the Subsidiaries of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action, and no other corporate proceedings on the part of the Company or the Subsidiaries are necessary to authorize this Merger Agreement and the other Documents contemplated hereby, or to consummate the transactions contemplated hereby and thereby, other than the approval and adoption of this Merger Agreement by the holders of two-thirds of the outstanding Company Common Shares, the holders of two-thirds of the outstanding Company Series A Preferred Shares and the holders of two-thirds of the outstanding Company Series B Preferred Shares in accordance with Illinois Law and the Company's articles of incorporation and bylaws. This Merger Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be subject to the effects of any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effects of general equitable principles (whether considered in a proceeding in equity or at law).

SECTION 3.06. No Conflict; Required Filings and Consents.

(a) The execution, delivery and performance by the Company and the Subsidiaries of this Merger Agreement and all other Documents contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by the Company and the Subsidiaries of the transactions contemplated hereby and thereby, do not and will not: (i) conflict with, or violate any provision of, the articles of incorporation or bylaws of the Company or the certificate or articles of incorporation or bylaws of any Subsidiary; (ii) subject to (A) obtaining the requisite approval and adoption of this Merger Agreement by the holders of two-thirds of the outstanding Company Common Shares, the holders of two-thirds of the outstanding Company Series A Preferred Shares and the holders of two-thirds of the outstanding Company Series B Preferred Shares in accordance with Illinois Law and the Company's articles of incorporation and bylaws and (B) obtaining the consents, approvals, authorizations and permits of, and making filings with or notifications to, the applicable

Governmental Entity pursuant to the applicable requirements, if any, of the Securities Act (as defined in Article X), Blue Sky Laws (as defined in Article X), the HSR Act (as defined in Article X), the Communications Act (as defined in Article X), the Federal Aviation Act (as defined in Article X), applicable state utilities Laws, applicable municipal franchise Laws and the filing and recordation of the Articles of Merger as required by Illinois Law and Delaware Law, conflict with or violate any Law applicable to the Company or any Subsidiary, or any of their respective Assets; (iii) conflict with, result in any breach of, constitute a default (or an event that with notice or lapse of time or both would become a default) under any Agreement to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary, or any of their respective Assets, may be bound; or (iv) result in or require the creation or imposition of, or result in the acceleration of, any indebtedness or any Encumbrance of any nature upon, or with respect to, the Company or any Subsidiary or any of the Assets now owned or hereafter acquired by the Company or any Subsidiary; except for any such conflict or violation described in clause (ii), any such conflict, breach or default described in clause (iii), or any such creation, imposition or acceleration described in clause (iv) that would not have a Company Material Adverse Effect.

(b) Except as set forth in Section 3.06(b) of the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, the execution, delivery and performance by the Company and the Subsidiaries of this Merger Agreement and all other Documents contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by the Company and the Subsidiaries of the transactions contemplated hereby and thereby, do not and will not: (i) require any consent, approval, authorization or permit of, or filing with or notification to, any Person not party to this Merger Agreement, except (A) the approval and adoption of this Merger Agreement by the holders of two-thirds of the outstanding Company Common Shares, the holders of two-thirds of the outstanding Company Series A Preferred Shares and the holders of two-thirds of the outstanding Company Series B Preferred Shares in accordance with Illinois Law and the Company's articles of incorporation and bylaws, (B) pursuant to the applicable requirements, if any, of the Securities Act, Blue Sky Laws, the HSR Act, the Communications Act, the Federal Aviation Act, applicable state utilities Laws and applicable municipal franchise Laws, and (C) the filing and recordation of the Articles of Merger as required by Illinois Law and Delaware Law; or (ii) result in or give rise to any penalty, forfeiture, Agreement termination, right of termination, amendment or cancellation, or restriction on business operations of Acquiror, the Company, the Surviving Corporation or any Subsidiary.

SECTION 3.07. Licenses; Compliance.

(a) Each of the Company and each Subsidiary is in possession of all Licenses necessary for the Company or any Subsidiary to own, lease and operate its

Assets or to carry on its business as it is now being conducted (the "Company Licenses"), except where the failure to possess any such Company License would not have a Company Material Adverse Effect. All Company Licenses that are FCC, FAA or state utilities Licenses or municipal franchises are listed and described in Section 3.07(a)(1) of the Company Disclosure Schedule, and all other material Company Licenses will be listed and described in Section 3.07(a)(2) of the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement. All Company Licenses are valid and in full force and effect through the respective dates indicated in the Company Disclosure Schedule, except for any such invalidity or failure to be in full force and effect that would not, alone or in the aggregate, have a Company Material Adverse Effect, and no suspension, cancellation, complaint, proceeding, order or investigation of or with respect to any Company License is pending or, to the knowledge of the Company or any Subsidiary, threatened. Neither the Company nor any Subsidiary is in violation of or default under any Company License, except for any such violation or default that would not have a Company Material Adverse Effect. Except as set forth in Section 3.07(a)(3) of the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, since December 31, 1995, neither the Company nor any Subsidiary has received written or, to the knowledge of the Company or any Subsidiary, oral notice from any Governmental Entity of any such violation or default.

(b) Neither the Company nor any Subsidiary is in violation of or default under, nor has it breached, (i) any term or provision of its certificate or articles of incorporation or bylaws or (ii) any Agreement or restriction to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary, or any of their respective Assets, is bound or affected, except for any such violation, default or breach described in clause (ii) that would not have a Company Material Adverse Effect. The Company and the Subsidiaries have complied and are in full compliance with all Laws, except where the failure so to comply would not have a Company Material Adverse Effect.

(c) All returns, reports, statements and other Documents required to be filed by the Company or any Subsidiary with any Governmental Entity have been filed and complied with and are true, correct and complete in all material respects. All records of every type and nature relating to the Company Licenses or the business, operations or Assets of the Company or any Subsidiary have been maintained in all material respects in accordance with good business practices and the rules of any Governmental Entity and are maintained at the Company or the appropriate Subsidiary.

SECTION 3.08. Financial Information.

(a) The Company has prepared audited consolidated balance sheets of the Company and the Subsidiaries as of the end of the fiscal year ending in each of 1996, 1995 and 1994 (the "Audited Balance Sheets") and the related audited consolidated statements of income, shareholders' equity and cash flows of the Company and the Subsidiaries for each of such fiscal years (the Audited Balance Sheets and such audited consolidated statements of income, shareholders' equity and cash flows are hereinafter referred to collectively as the "Audited Statements"), in each case, audited by Arthur Andersen LLP in accordance with generally accepted auditing standards and accompanied by the related report of Arthur Andersen LLP. A true and complete copy of each of the Audited Statements has been delivered to Acquiror and is attached as an exhibit to, and constitute an integral part of, the Company Disclosure Schedule. The Company has also prepared unaudited consolidated balance sheets of the Company and the Subsidiaries as of the last day of each month ending after January 1, 1994 (including the unaudited consolidated balance sheets to be furnished to Acquiror pursuant to Section 6.10, the "Unaudited Balance Sheets") and the unaudited consolidated statements of income and cash flows of the Company and the Subsidiaries for the one-month periods then ended (the Unaudited Balance Sheets and such statements of income and cash flows, including the unaudited consolidated statements of income and cash flows to be furnished to Acquiror pursuant to Section 6.10, are hereinafter referred to collectively as the "Unaudited Statements" and, together with the Audited Statements, as the "Financial Statements").

(b) The Financial Statements, including, without limitation, the notes thereto, (i) are complete and correct in all material respects, (ii) have been prepared in accordance with the books and records of the Company and the Subsidiaries, and (iii) present fairly the consolidated financial position of the Company and the Subsidiaries and their consolidated results of operations and cash flows as of and for the respective dates and time periods in accordance with GAAP applied on a basis consistent with prior accounting periods, except as noted thereon and subject to, in the case of the Unaudited Statements, normal and recurring year-end adjustments which were not or are not expected to be material in amount. All changes in accounting methods (for financial accounting purposes) made, agreed to, requested or required with respect to the Company or any of the Subsidiaries since January 1, 1994 are reflected in the Financial Statements.

SECTION 3.09. Undisclosed Liabilities.

There are no material liabilities or obligations (whether absolute or contingent, matured or unmatured, known or unknown) of the Company or any Subsidiary, including but not limited to liabilities for Taxes (as defined in Article X), that are not reflected on, or reserved against in, the Financial

Statements. Except as described in Section 3.09 of the Company Disclosure Schedule, since December 31, 1996, neither the Company nor any Subsidiary has incurred any material liabilities or obligations (whether absolute or contingent, matured or unmatured, known or unknown) other than in the Ordinary Course of Business (as defined in Article X).

SECTION 3.10. Absence of Certain Changes or Events.

Other than as set forth in Section 3.10 to the Company Disclosure Schedule, since December 31, 1996, there has been no material adverse change, and no change except in the Ordinary Course of Business, in the business, operations, prospects, condition (financial or otherwise), Assets or liabilities of the Company or any Subsidiary. Except as set forth in Section 3.10 to the Company Disclosure Schedule, since December 31, 1996, the Company and the Subsidiaries have conducted their respective businesses substantially in the manner heretofore conducted and only in the Ordinary Course of Business, and neither the Company nor any Subsidiary has (a) incurred any material damage, destruction or loss not covered by insurance with respect to any Assets of the Company or of any such Subsidiary; (b) issued any capital stock or other equity securities or granted any options, warrants or other rights calling for the issuance thereof; (c) issued any bonds or other long-term debt instruments, granted any options, warrants or other rights calling for the issuance thereof, or borrowed any funds; (d) incurred, or become subject to, any material obligation or liability (whether absolute or contingent, matured or unmatured, known or unknown), except current liabilities incurred in the Ordinary Course of Business; (e) discharged or satisfied any Encumbrance or paid any material obligation or liability (whether absolute or contingent, matured or unmatured, known or unknown) other than current liabilities shown in the Unaudited Balance Sheets and current liabilities incurred since December 31, 1996 in the Ordinary Course of Business; (f) declared or made payment of, or set aside for payment, any dividends or distributions of any Assets, or purchased, redeemed or otherwise acquired any of its capital stock, any securities convertible into capital stock, or any other securities; (g) mortgaged, pledged or subjected to any Encumbrance any of its Assets; (h) sold, exchanged, transferred or otherwise disposed of any of its Assets, or canceled any debts or claims, except in each case in the Ordinary Course of Business; (i) written down the value of any Assets or written off as uncollectible any debt, notes or accounts receivable, except where previously reserved against in the Financial Statements and not material in amount, and except for write-downs and write-offs in the Ordinary Course of Business, none of which, individually or in the aggregate, are material; (j) entered into any transactions other than in the Ordinary Course of Business; (k) increased the rate of compensation payable, or to become payable, by it to any of its officers, employees, agents or independent contractors over the rate being paid to them on December 31, 1996, except for any increase in the rate of compensation payable, or to become payable, by it in the Ordinary Course of

Business to employees who are not directors or officers; (l) made or permitted any amendment or termination of any material Agreement to which it is a party; (m) through negotiation or otherwise made any commitment or incurred any liability to any labor organization; (n) made any accrual or arrangement for or payment of bonuses or special compensation of any kind to any director, officer or employee, except for any accrual or arrangement for or payment of bonuses or special compensation in the Ordinary Course of Business to employees who are not directors or officers; (o) directly or indirectly paid any severance or termination pay in excess of two months' salary to any officer or employee with an annual salary in excess of $100,000; (p) made capital expenditures, or entered into commitments therefor, not provided for in the Company's capital budget for 1997 (a copy of which has been furnished by the Company to Acquiror) or, if applicable, the Company's capital budget for 1998 (which capital budget shall have been approved by Acquiror as provided in Section 5.01(i)), except for capital expenditures permitted by Section 5.01; (q) made any change in any method of accounting or accounting practice; (r) entered into any transaction of the type described in Section 3.19; (s) made any charitable contributions or pledges exceeding $50,000 individually or $300,000 in the aggregate; or (t) made any Agreement to do any of the foregoing. At the Closing, the Company shall deliver to Acquiror an updated Section 3.10 to the Company Disclosure Schedule in accordance with the provisions of Section 6.04.

SECTION 3.11. Litigation; Disputes

(a) Except as disclosed in Section 3.11(a) of the Company Disclosure Schedule, there are no actions, suits, claims, arbitrations, proceedings or investigations pending or, to the knowledge of the Company or any Subsidiary, threatened against, affecting or involving the Company or any Subsidiary or their respective businesses or Assets, or the transactions contemplated by this Merger Agreement, at law or in equity, or before or by any court, arbitrator or Governmental Entity, domestic or foreign. Neither the Company nor any Subsidiary is (i) operating under or subject to any order (except for orders that Persons similarly situated, engaged in similar businesses and owning similar Assets are operating under or subject to), award, writ, injunction, decree or judgment of any court, arbitrator or Governmental Entity, or (ii) in default with respect to any order, award, writ, injunction, decree or judgment of any court, arbitrator or Governmental Entity.

(b) Except as set forth in Section 3.11(b) of the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, neither the Company nor any Subsidiary is currently involved in, or to the knowledge of the Company or any Subsidiary, reasonably anticipates any dispute with, any of its current or former employees, agents, brokers, distributors, vendors, customers, business consultants, franchisees, franchisors, representatives or independent contractors (or any current or former employees of any of the foregoing Persons) affecting the business or Assets of the

Company or any Subsidiary, except for any such dispute that, if resolved adversely to the Company or any Subsidiary, would not have a Company Material Adverse Effect.

SECTION 3.12. Debt Instruments.

Section 3.12 of the Company Disclosure Schedule lists all mortgages, indentures, notes, guarantees and other Agreements for or relating to borrowed money (including, without limitation, conditional sales agreements and capital leases) to which the Company or any Subsidiary is a party or which have been assumed by the Company or any Subsidiary or to which any Assets of the Company or any Subsidiary are subject. The Company and the Subsidiaries have performed all the material obligations required to be performed by any of them to date and are not in default in any material respect under any of the foregoing, and there has not occurred any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a default.

SECTION 3.13. Leases.

Section 3.13 of the Company Disclosure Schedule, to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, will list all leases and other Agreements under which the Company or any Subsidiary is lessee or lessor of any Asset, or holds, manages or operates any Asset owned by any third party, or under which any Asset owned by the Company or by any Subsidiary is held, operated or managed by a third party. The Company and the Subsidiaries are the owners and holders of all the leasehold estates purported to be granted to them by the Documents listed in Section 3.13 of the Company Disclosure Schedule. Each such lease and other Agreement is in full force and effect and constitutes a legal, valid and binding obligation of, and is legally enforceable against, the respective parties thereto and grants the leasehold estate it purports to grant free and clear of all Encumbrances. The Company and the Subsidiaries have in all respects performed all material obligations thereunder required to be performed by any of them to date. No party is in default in any material respect under any of the foregoing, and there has not occurred any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a default. All of the Assets subject to such leases and other Agreements are in a condition adequate for the uses to which they are currently being used.

SECTION 3.14. Other Agreements; No Default.

(a) Section 3.14(a) of the Company Disclosure Schedule lists (or, in the case of the Agreements specified in Section 3.14(a)(i), (ii), (iv), (vii), (ix), (xi), (xii) and (xiii), will list within fifteen (15) days after the date of this Merger

Agreement) each Agreement to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound, and which is:

(i) an Agreement for the employment of any director, officer, employee, consultant or independent contractor, or providing for severance payments to any such director, officer, employee, consultant or independent contractor;

(ii) a license Agreement or distributor, dealer, sales representative, sales agency, advertising, property management or brokerage Agreement involving an annual payment in excess of $50,000;

(iii) an Agreement with any labor organization or other collective bargaining unit;

(iv) an Agreement for the future purchase or lease of materials, supplies, services, merchandise, equipment or other Assets involving payments of more than $250,000 over its remaining term (including, without limitation, periods covered by any option to renew by either party);

(v) a profit-sharing, bonus, incentive compensation, deferred compensation, stock option, severance pay, stock purchase, employee benefit, insurance, hospitalization, pension, retirement or other similar plan or Agreement;

(vi) an Agreement for the sale of any of its material Assets or the grant of any preferential rights to purchase any of its material Assets or rights, other than in the Ordinary Course of Business;

(vii) an Agreement that contains any provisions requiring the Company or any Subsidiary to indemnify any other party;

(viii) a joint venture Agreement or other Agreement involving the sharing of revenues or profits;

(ix) an Agreement with an Affiliate of the Company or any Subsidiary;

(x) an Agreement (including, without limitation, an Agreement not to compete and an exclusivity Agreement) that reasonably could be interpreted to impose any restriction on the business or operations of the Company or any Subsidiary, or any of their respective Affiliates, prior to the Effective Time, or on the business or operations of Acquiror or any of its Affiliates after the Effective Time;

(xi) an Agreement with any Governmental Entity;

(xii) an Agreement with any customer of the Company or any Subsidiary that was billed an aggregate of $1 million during the year ended December 31, 1996 or $500,000 during the period from January 1, 1997 through the date of this Merger Agreement;

(xiii) any other Agreement (A) that is material to the Company and the Subsidiaries, taken as a whole, or to the conduct of their businesses or operations, or (B) the absence of which would have a Company Material Adverse Effect,

(the foregoing Agreements referred to herein as the "Company Contracts"). The Company has furnished (or, where specifically permitted pursuant to the terms of this Merger Agreement, within fifteen (15) days after the date of this Merger Agreement, will furnish) Acquiror with true and complete copies of each written Company Contract (including any amendments thereto) and a complete written summary of each oral Company Contract.

(b) Each Company Contract is in full force and effect and constitutes a legal, valid and binding obligation of, and is legally enforceable against, the respective parties thereto. All necessary approvals of any Governmental Entity with respect thereto have been obtained (except where the failure so to obtain any such approval would not have a Company Material Adverse Effect), all necessary filings or registrations therefor have been made, and there are no outstanding disputes thereunder and, to the knowledge of the Company or any Subsidiary, no threatened cancellation or termination thereof. The Company and the Subsidiaries have performed all material obligations thereunder required to be performed by any of them to date. No party is in default in any material respect under any of the Company Contracts, and there has not occurred any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a default. Except as specifically described in Section 3.14(a) of the Company Disclosure Schedule, there has been no written or oral modification or amendment to any Company Contract and there are no reasonably expected changes to any Company Contract. At the Closing, the Company shall deliver to Acquiror an updated Section 3.14(a) to the Company Disclosure Schedule in accordance with the provisions of Section 6.04.

SECTION 3.15. Labor Relations.

Section 3.15(a) of the Company Disclosure Schedule lists all collective bargaining or other labor union Agreements to which the Company or any Subsidiary is a party. There are no strikes, work stoppages, union organization efforts or other controversies (other than grievance proceedings) pending, threatened or reasonably anticipated between the Company or any Subsidiary and

(a) any current or former employees of the Company or of any Subsidiary or (b) any union or other collective bargaining unit representing such employees. The Company and the Subsidiaries have complied and are in compliance with all Laws relating to employment or the workplace, including, without limitation, Laws relating to wages, hours, collective bargaining, safety and health, work authorization, equal employment opportunity, immigration, withholding, unemployment compensation, worker's compensation, employee privacy and right to know, except where the failure so to comply would not have a Company Material Adverse Effect. Except as set forth in Section 3.15(b) of the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, neither the Company nor any Subsidiary has been notified by any Governmental Agency or counsel to any claimant of any unresolved violation or alleged violation of any Law relating to equal employment opportunity, civil or human rights, or employment discrimination generally. Except as set forth in Section 3.15(c) to the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, there are no employment Agreements between the Company or any Subsidiary and any of their respective employees, or professional service Agreements not terminable at will relating to the businesses and Assets of the Company or of any Subsidiary. Except as set forth in Section 3.15(d) to the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, the consummation of the transactions contemplated hereby will not cause Acquiror, the Surviving Corporation, the Company or any Subsidiary to incur or suffer any liability relating to, or obligation to pay, severance, termination or other payments to any Person.

SECTION 3.16. Pension and Benefit Plans.

(a) Except as set forth in Section 3.16(a) to the Company Disclosure Schedule to be furnished by the Company to Acquiror within fifteen (15) days after the date of this Merger Agreement, neither the Company nor any Subsidiary (i) maintains or has during the past six (6) years maintained any Plan or Other Arrangement, (ii) is or has during the past six (6) years been a party to any Plan or Other Arrangement or (iii) has obligations under any Plan (as defined in Article X) or Other Arrangement (as defined in Article X).

(b) The Company will furnish to Acquiror within fifteen (15) days after the date of this Merger Agreement true and complete copies of each of the following Documents: (i) the Documents setting forth the current terms of each Plan; (ii) all current related trust Agreements or annuity Agreements (and any other current funding Document) for each Plan; (iii) for the three most recent plan years, all annual reports (Form 5500 series) on each Plan that have been filed with any Governmental Entity; (iv) the current summary plan description and subsequent summaries of material modifications for each Title I Plan (as defined in Article X); (v) all DOL (as defined in Article X) opinions on any Plan; (vi) all